



To: All HOME, CDBG & Trust Fund Recipients
From: IHFA Community Development Department
Date: May 31, 2002
Re: Procedural Changes/Policy Clarification

Notice: FSP-02-09

In order to implement IHFA programs more efficiently and effectively, we are instituting a number of procedural changes. The attached document outlines changes to procedures and provides clarification to some policies currently in place. Changes are effective June 27, 2002, as indicated for each topic.

Should the new procedures create an undue hardship on your housing activity, we will entertain modification or waiver requests from award recipients. Decisions regarding any such request will be made based solely on the merit of the individual request.

We will hold a Community Development Procedural Changes Workshop on Wednesday, June 12, 2002, from 2:30 p.m. - 4:30 p.m. in the Indiana Government Center South - Auditorium located at 402 West Washington Street in Indianapolis. This workshop is being offered to provide instruction on the information included in this memo and to answer questions on implementing your awards. Revised forms incorporating the new procedures will be provided at the workshop and will be available after June 12th on IHFA's web site at www.indianahousing.org. Please see the workshop flyer enclosed with this memo for more details and registration information.

Further, we are currently working to update the Implementation Manuals for our various funding programs. Further guidance regarding the procedures included in this correspondence will be incorporated with the compliance information in the manuals. We anticipate having the revised manuals available for distribution this Fall.

If you have any questions regarding this FSP memo, please contact your IHFA Development or Compliance Specialist at (317) 232-7777 or toll-free at (800) 872-0371.



Indiana Housing Finance Authority
Community Development Procedural Changes
Effective June 27, 2002

Suspension Policy – *Effective for all open awards*

The IHFA Suspension Policy has been revised to include four varying levels of suspension. Examples of each suspension level are given below. The list provided, however, is not intended to be comprehensive. Entities may be suspended for performance problems or other issues not listed as examples.

IHFA will hold all responsible parties – award recipients, subrecipients, and administrators - accountable for grant and/or loan performance. IHFA, in its sole discretion, may suspend or disbar individual persons as well as organizations from participation in IHFA funding programs.

IHFA reserves the right to alter the specific terms of a suspension for reasons including, but not limited to, an award recipient's, subrecipient's, or administrator's response to concerns, past performance history, and IHFA objectives.

LEVEL 1: Suspended from drawing funds and/or submitting applications until issue is resolved

- Staff recommendation – This could include, but is not limited to, a lack of performance on an existing award, entities unprepared for a compliance monitoring, or deficiencies noted during a review of required reporting.
- Any overdue IHFA required report including, but not limited to: Semi-Annuals, Annual Rental Reports, or Trust Fund Beneficiary Reports. Reports will be considered overdue on the 10th calendar day following due date.
- An overdue monitoring response.
- Unresolved issues remaining after an award recipient's 2nd monitoring response.
- A property with code violations not corrected within the timeframe provided on the physical inspection report.
- A lapse in required builders risk or property insurance.
- An overdue loan payment. Payments will be considered overdue on the 10th calendar day following due date.
- Any overdue documentation required by IHFA.

LEVEL 2: Suspended from drawing funds and/or submitting applications for up to 6 months

- Any Level 1 Suspension that has remained uncorrected for 3 months.
- An award recipient serving over income clients.
- An award recipient not meeting beneficiary income commitments.
- Any loan payment overdue from an organization for the second time within 2 years.

LEVEL 3: Suspended from drawing funds and/or submitting applications for up to 5 years

- Any Level 2 Suspension that has remained uncorrected for 3 months.
- An award recipient with multiple compliance issues and/or repeated violations.
- An award recipient with egregious issues or that has committed negligent activities.
- Any loan payment overdue from an organization for third time within 2 years.

LEVEL 4: Permanent disbarment from all IHFA programs

- An award recipient that shows intentional disregard and violates IHFA and/or HUD regulations and policies.

Claim Forms and Draw Policy - *Effective for all open awards with funds remaining to draw*

- Recipients will be required to submit 100% support documentation (except for timesheets) to draw funds.
- Recipients will be required to submit a **Ledger of Expenditure by Site Address** with each claim.
- Recipients will be required to submit an **Inspection Certification Form** on each property address with each draw. The Inspection Certification Form certifies that the work being claimed has been completed.
- For all draws except acquisition, recipients will be required to submit a **Receipt of Payment Form** within 21 days of the IHFA check date to verify that all entities have been paid.
- For acquisition draws, recipients will be required to submit a copy of the executed **HUD-1 Settlement Statement** within 7 days of the closing.

Acquisition Policy - *Effective for all open awards*

- Recipients will be required to use a title company when purchasing or selling assisted properties.
- For donated property, recipients must submit evidence of a title search demonstrating that the property is free and clear of any encumbrances.

Builder's Risk and Property Insurance - *Effective for all new set-ups and awards with funds remaining to draw*

- For homebuyer, rental, transitional, emergency shelters, youth shelters, and migrant/seasonal farm worker housing activities, builder's risk insurance is required throughout the construction period. Recipients must provide a copy of the policy endorsement at set-up as verification of this coverage. The policy must name IHFA as both the loss payable and additionally insured. The policy can be in the name of the recipient, contractor, or owner of the property, just as long as it names IHFA and is in place prior to set-up.
- For owner-occupied rehabilitation, verification of either builder's risk or homeowner's insurance must be in place through the construction period. Recipients must provide a copy of the policy endorsement at set-up as verification of this coverage. The builder's risk policy must name IHFA as both the loss payable and additionally insured.
- For rental, transitional, emergency shelters, youth shelters, and migrant/seasonal farm worker housing activities, adequate property insurance must be maintained throughout the affordability period. Following construction, recipients must provide evidence of property insurance by submitting a copy of the policy endorsement with their completion report and with annual reporting during the affordability period. The policy must name IHFA as both the loss payable and additionally insured.
- For homebuyer and owner-occupied rehabilitation, beneficiary loan documents must stipulate that adequate property insurance be maintained throughout the affordability period.
- The amount of builder's risk or property coverage must be for the after construction or rehabilitation value.

HOME and CDBG Appraisals - *Effective for awards made on or after June 27, 2002*

- Appraisals completed by a licensed appraiser will be required for all HOME and CDBG awards, except CDBG owner-occupied rehabilitation.
- Appraisals must be submitted at set-up and must reflect the after construction or rehabilitation value of each assisted property.

Single Family Proforma - *Effective for all new set-ups*

- Recipients will no longer be required to submit a Single Family Proforma for properties assisted via homeownership counseling/down payment assistance (HOC/DPA) awards. Instead, IHFA will require recipients to submit a **DPA Form** stating the beneficiary income, monthly housing payment (principal, interest, taxes and insurance), and documentation verifying the homebuyer front-end ratio is between 10-29%.

Multi Family Proforma - *Effective for all open awards*

- Recipients will be required to submit a final proforma at project completion prior to award close-out. IHFA review of the proforma may result in an award reduction or other corrective action should the development no longer meet IHFA's published underwriting criteria.

Unit Production - *Effective for awards made after January 1, 2002*

- Award agreements stipulate that recipients must complete the total number of units as specified in their application to IHFA.

Beneficiary Requirement - *Effective for all open awards*

- Recipients are required to fulfill the commitment of beneficiaries at specific income levels as indicated in their application to IHFA and as listed in the "Amendments and Technical Corrections to the Project or Program" section of their award agreement with IHFA.

Semi-Annual Reporting - *Effective for all open awards*

- IHFA will require semi-annual reporting on Trust Fund activities until construction is complete.

Completion Reports - *Effective for awards made on or after June 27, 2002*

- For each assisted property, IHFA will retain 5% of the final draw for the property or the HOME funds applied to Developer Fee, whichever is greater, until a completion report with full beneficiary information and match/leverage documentation has been submitted and approved by IHFA staff.

Closeout Documentation - *Effective for all open awards*

- IHFA will withhold the final payment on HOME and CDBG awards until all close-out documentation, including match/leverage information and all other supporting documentation, has been submitted and approved by IHFA staff.

Further instruction regarding the following two policies, including effective date, will be provided at a later date.

Inspection Policy – *To be effective for all open awards*

- IHFA or its representative will perform inspections on properties in progress and those completed for all HOME and CDBG awards at 50% of award expenditures or halfway through award timeframe, whichever comes first. If a property is complete at the time of interim inspection, it will not be re-inspected at close-out.
- IHFA or its representative will perform inspections on properties prior to releasing Trust Fund drawdowns and will inspect homes semi-annually that are being built through local Trust Fund revolving loans.

Trust Fund Appraisals – *To be effective for all open, unpaid loans*

- For Trust Fund loans, IHFA will require property appraisals completed by a licensed appraiser whenever collateral is required.
- Appraisals must be submitted prior to drawing down any of the loan funds and must reflect both the current and the after construction or rehabilitation value of each assisted property.